



**R. Booth Goodwin II, United States Attorney
Southern District of West Virginia**

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CONTACT: Melvin Smith
800-659-8726*(304)345-2200
Melvin.Smith@usdoj.gov

FORMER STATE DELEGATE SENTENCED TO TWO YEARS IN PRISON ON RACKETEERING CHARGE

CHARLESTON, W. Va. – A Logan, West Virginia business owner and former state delegate was sentenced today to two years in prison by United States District Judge John T. Copenhaver, Jr. on charges stemming from his attempts to protect his illegal gambling operation. Joseph Cleveland Ferrell, 63, pleaded guilty in October 2010 to racketeering and failure to pay employment taxes. Ferrell was also fined \$250,000, ordered to forfeit \$527,540 and pay the Internal Revenue Service \$75,000 in unpaid employment taxes.

United States Attorney Booth Goodwin stated, “This conviction is indicative of our commitment to prosecuting those who, motivated by greed, consistently live outside the boundaries of the law. Ferrell’s racketeering operation attempted to side-step government oversight and evade employment taxes.” Goodwin continued, “For his crimes, Mr. Ferrell was rightfully sentenced to years in prison. This closes a long, sad chapter in Logan County’s history in which Mr. Ferrell was a central player. This conviction should send a clear message that no one is above the law.”

At his plea hearing in October, Ferrell admitted his association with Southern Amusement and White Amusement, corporations which conducted legal and illegal gambling operations in Logan County and other locations in West Virginia and Kentucky. Ferrell further admitted his illegal efforts to protect and forward those operations.

In an effort to protect his gambling operations, Ferrell admitted he gave cash bribes to an inspector with the West Virginia Lottery Commission, Carolyn Kitchen. Ferrell had assisted Kitchen in obtaining employment with the West Virginia Lottery where she served as an inspector from approximately the summer of 2004 until the summer of 2007. As a lottery inspector, Kitchen inspected the operation of video lottery machines Southern Amusement owned and operated. She also inspected the establishments in nine West Virginia counties where those machines were situated. Kitchen had authority to write citations and report violations relating to the operation of those machines that might have resulted in fines, the shutting down of machines and other potentially adverse consequences. She also had authority and the means to unseal particular areas of these machines to allow the performance of necessary maintenance and repairs.

Ferrell admitted that his motive for the payments to Kitchen were to insure that she continued to be immediately available to him when he needed access to the sealed areas of his video lottery machines and to insure her continuing favorable treatment during her inspections.

Ferrell also admitted that from approximately the fall of 2003 until April of 2008, Ferrell conducted, financed and managed an illegal gambling business in Kentucky. This operation consisted in large part of several video poker machines owned by White Amusement and provided to an establishment in South Williamson, Kentucky. These machines paid cash jackpots to winning players and were operating in violation of Kentucky state law.

White Amusement then shared the proceeds from the operation of these machines with the owner/operator of the establishment in South Williamson. Ferrell traveled or had others to travel to Kentucky from West Virginia to collect White Amusement's share of the proceeds, to disburse money from the operation of the machines, and to perform repairs and maintenance on the machines.

The gambling operation Ferrell led involved five or more persons who conducted, managed, and supervised the gambling business, including an employee of Southern Amusement in Logan County who maintained and repaired the machines and who traveled to and from Kentucky to collect and disburse the cash proceeds from the operation of the machines, and employees of the establishment in South Williamson, Kentucky, who tended to the business where the machines were operated.

The investigation was jointly conducted by: Internal Revenue Service, Criminal Investigation Division; Federal Bureau of Investigation; West Virginia Commission on Special Investigations; Southern Regional Drug and Violent Crime Task Force; and the U.S. Social Security Administration. Assistant United States Attorneys Hunter P. Smith Jr. and Larry R. Ellis handled the prosecution.

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